

City of Midland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Midland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2005-I	<p>Program Name - Community Development Block Grant</p> <p>Pass-through Entity - None</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - The CDBG program allows for the reimbursement of allowable expenditures on a cost-reimbursement basis.</p> <p>Condition - The City submitted for a reimbursement of costs that had not yet been spent.</p> <p>Questioned Costs - \$29,541</p> <p>Context - During the current reporting year, the City requested reimbursement for costs that the City had not yet spent. Controls are in fact in place, yet were not operating as designed.</p> <p>Cause/Effect - The drawdown request was prepared and submitted without the usual review by the appropriate supervisor.</p> <p>Recommendations - Only funds actually spent on allowable CDBG costs should be remitted for reimbursement. Each drawdown request should be reviewed by a supervisor to ensure costs are allowable.</p> <p>Grantee Response - The City concurs with the recommendation above and has agreed to review all drawdown requests for allowability of costs prior to submitting the request.</p>

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Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2005-2	<p>Program Name - Community Development Block Grant</p> <p>Pass-through Entity - None</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - Reimbursement requests should be offset by program income.</p> <p>Condition - The City submitted a reimbursement request and failed to include program income.</p> <p>Questioned Costs - None</p> <p>Context - On the City's first reimbursement request for the year ended June 30, 2005, total expenditures were not reduced by the amount of program income. This program income was not used as an offset to expenditures until the fourth quarter drawdown request.</p> <p>Cause/Effect - The City did not realize that it had approximately \$16,000 of program income from the previous fiscal year that the City needed to use to offset program-related expenses prior to sending a reimbursement request.</p> <p>Recommendations - In order to maintain adequate internal control, all program income should be used to offset federal expenditures prior to sending a drawdown request. All drawdown requests should be reviewed for items such as program income and allowable costs, prior to submission.</p> <p>Grantee Response - The City concurs with the recommendation above and has agreed to review all reimbursement requests to ensure program income is used to offset federal expenditures prior to submission.</p>